

Dike-New Hartford Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2009

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**Dike-New Hartford Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2008 Election)**

Meinard Koop	President	2009
Tom Lizer	Vice President	2008
Jerry Nielsen	Board Member	2010
Thomas Boe	Board Member	2008
Melissa Hinde	Board Member	2010

**Board of Education**

**(After September 2008 Election)**

Tom Lizer*	President	209
Melissa Hinde*	Vice President	2011
Meinard Koop	Board Member	2009
Jerry Nielsen*	Board Member	2011
Thomas Boe*	Board Member	2009

**School Officials**

Lindsey Beecher	Superintendent	2009
Don Graves	District Secretary/Treasurer	2009
Jane Christensen	District Assistant Treasurer	2009
Julie Merfeld	District Business Manager	2009
Swisher & Cohrt	Attorney	2009

\*Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

## Independent Auditor's Report

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District, Dike, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

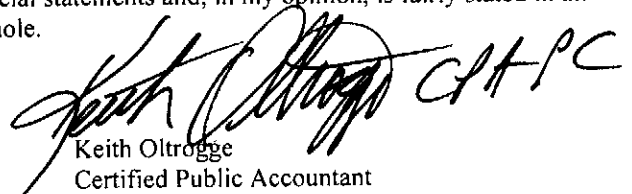
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated December 30, 2009 on my consideration of Dike-New Hartford Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 11 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dike-New Hartford Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

December 30, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Dike-New Hartford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,532,587 in fiscal 2008 to \$6,959,441 in fiscal 2009, while General Fund expenditures increased from \$6,588,443 in fiscal 2008 to \$6,960,701 in fiscal 2009. The District's General Fund balance decreased from \$1,006,279 in fiscal 2008 to \$1,005,019 in fiscal 2009, a .2% decrease.
- The increase in General Fund revenues was attributable to an increase in all revenue sources in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was more than the District's increase in General Fund revenue for fiscal 2009.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 12.2% in 2008 to 10.7% in fiscal 2009. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dike-New Hartford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dike-New Hartford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dike-New Hartford Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Dike-New Hartford Community School District Annual Financial Report**

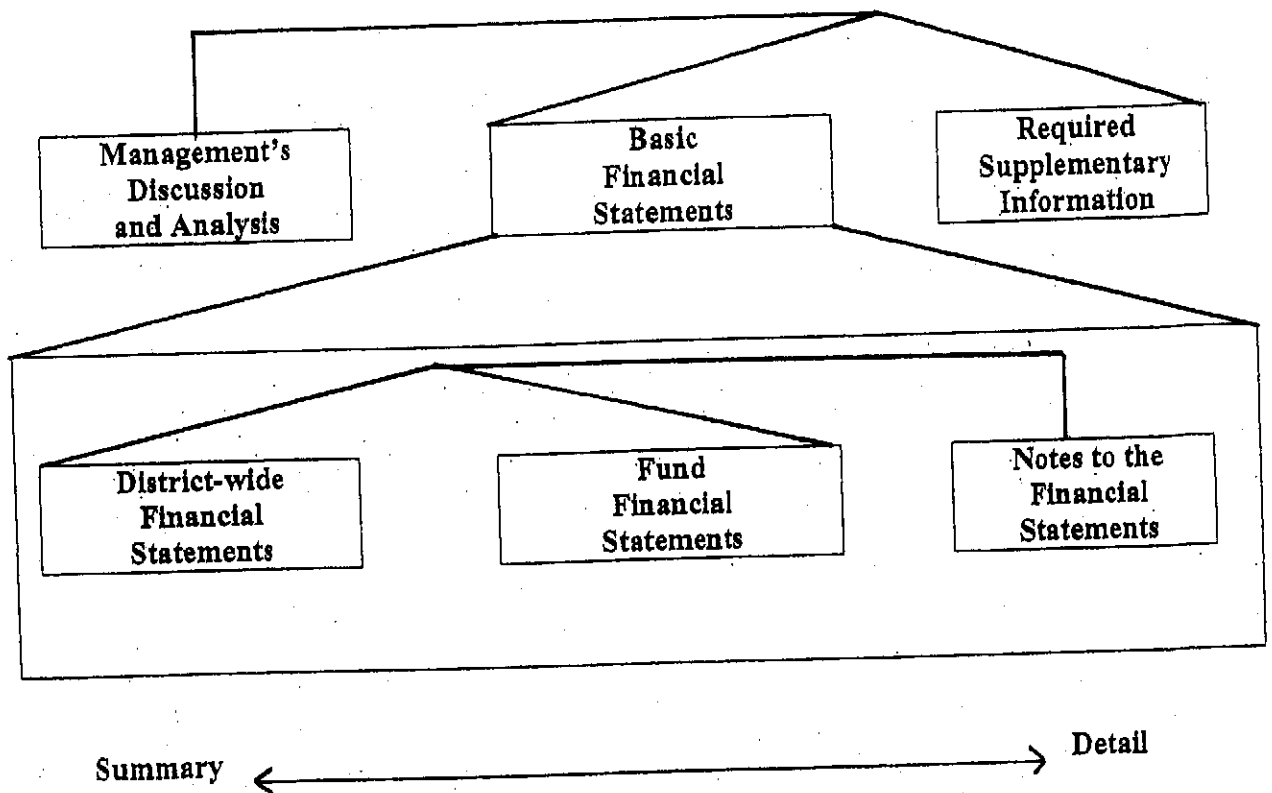


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund, and one Internal Service Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$6,514,046	\$6,298,250	\$221,164	\$202,272	\$6,735,210	\$6,500,522	\$234,688
Capital assets	7,436,151	6,987,055	13,355	14,335	7,449,506	7,001,390	448,116
Total assets	\$13,950,197	\$13,285,305	\$234,519	\$216,607	\$14,184,716	\$13,501,912	\$682,804
Long-term liabilities	\$5,905,026	\$5,824,324	\$-	\$-	\$5,905,026	\$5,824,324	\$80,702
Other liabilities	3,577,776	3,172,174	6,223	6,691	3,583,999	3,178,865	405,134
Total liabilities	\$9,482,802	\$8,996,498	\$6,223	\$6,691	\$9,489,025	\$9,003,189	\$485,836
Net assets:							
Invested in capital assets, net of related debt	\$1,596,151	\$1,192,055	\$13,355	\$14,335	\$1,609,506	\$1,206,390	\$403,116
Restricted	743,645	719,897	-	-	743,645	719,897	23,748
Unrestricted	2,127,599	2,376,855	214,941	195,581	2,342,540	2,572,436	-229,896
Total net assets	\$4,467,395	\$4,288,807	\$228,296	\$209,916	\$4,695,691	\$4,498,723	\$196,968

The District's combined net assets increased by nearly 4.2%, or \$196,968, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$23,748, or 3.2% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$229,896 or 9% under last years.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-08
<b>Revenues:</b>							
Program revenues:							
Charges for service	\$623,743	\$529,200	\$245,469	\$211,188	\$869,212	\$740,388	\$128,824
Operating grants, contributions and restricted interest	995,744	780,105	117,374	104,493	1,113,118	884,598	228,520
Capital grants, contributions and restricted interest	330,340	-	-	-	330,340	-	330,340
General revenues:							
Property tax	2,713,825	2,635,681	-	-	2,713,825	2,635,681	78,144
Local option sales and service tax	504,273	449,317	-	-	504,273	449,317	54,956
Unrestricted state grants	3,326,306	3,230,349	-	-	3,326,306	3,230,349	95,957
Unrestricted investment earnings	78,268	196,450	1,294	3,275	79,562	199,725	-120,163
Other	118,598	87,487	-	-	118,598	87,487	31,111
<b>Total revenues</b>	<b>\$8,691,097</b>	<b>\$7,908,589</b>	<b>\$364,137</b>	<b>\$318,956</b>	<b>\$9,055,234</b>	<b>\$8,227,545</b>	<b>\$827,689</b>
<b>Program expenses:</b>							
Governmental activities:							
Instruction	\$5,416,644	\$4,931,008	\$5,213	\$3,877	\$5,421,857	\$4,934,885	\$486,972
Support services	2,148,503	2,034,873	-	-	2,148,503	2,034,873	113,630
Non-instructional programs	6,525	5,188	340,544	314,487	347,069	319,675	27,394
Other expenses	986,055	533,236	-	-	986,055	533,236	452,819
<b>Total expenses</b>	<b>\$8,557,727</b>	<b>\$7,504,305</b>	<b>\$345,757</b>	<b>\$318,364</b>	<b>\$8,903,484</b>	<b>\$7,822,669</b>	<b>\$1,080,815</b>
<b>Change in net assets</b>	<b>\$133,370</b>	<b>\$404,284</b>	<b>\$18,380</b>	<b>\$592</b>	<b>\$151,750</b>	<b>\$404,876</b>	<b>-\$253,126</b>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses. Total revenue increased approximately \$828,000 over the prior year. Expenditures increased approximately \$1,081,000 over the prior year.

### Governmental Activities

Revenues for governmental activities were \$8,691,097 and expenses were \$8,557,727. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$5,416,644	\$3,830,027
Support Services	2,148,503	2,115,633
Non-instructional programs	6,525	6,525
Other expenses	986,055	655,715
<b>Totals</b>	<b>\$8,557,727</b>	<b>\$6,607,900</b>

- The cost financed by users of the District's programs was \$869,212.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,113,118.
- The net cost of governmental activities was financed with \$3,218,098 in property and other taxes and \$3,326,306 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$364,137 and expenses were \$345,757. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Dike-New Hartford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,958,739, a decrease from last year's ending fund balances of \$3,143,396.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,006,279 to \$1,005,019, due in part to an increase in instructional expenses..
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$204,050 in fiscal 2008 to \$162,587 in fiscal 2009.
- The Capital Projects Fund balance decreased from \$1,589,578 in fiscal 2008 to \$1,511,506 in fiscal 2009.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Dike-New Hartford Community School District amended its budget one time to reflect for additional expenditures associated with the cost of the flood restoration.

The District's receipts were \$317,565 more than budgeted receipts, a variance of 3.6%. The most significant variance resulted from the District receiving more in federal revenue than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$7.4 million, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 6% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$404,894.

The original cost of the District's capital assets was \$15.49 million. Governmental funds account for \$15.46 million, with the remainder of \$0.03 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$100,000	\$100,000	\$-	\$-	\$100,000	\$100,000	\$-
Construction in process	-	5,115,202	-	-	-	5,115,202	-5,115,202
Buildings	6,236,900	1,220,068	-	-	6,236,900	1,220,068	5,016,832
Improvements other than buildings	107,715	55,569	-	-	107,715	55,569	52,146
Furniture and equipment	991,536	496,216	13,355	14,335	1,004,891	510,551	494,340
Totals	\$7,436,151	\$6,987,055	\$13,355	\$14,335	\$7,449,506	\$7,001,390	\$448,116

### Long-Term Debt

At June 30, 2009, the District had \$5,905,026 in general obligation and other long-term debt outstanding. This represents an increase of approximately 1.4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$4,800,000	\$4,890,000	-\$90,000
Early retirement	65,026	29,324	35,702
Revenue bond	1,040,000	905,000	135,000
Totals	\$5,905,026	\$5,824,324	\$80,702

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Merfeld, Business Manager, Dike-New Hartford Community School District, 330 Main Street, Dike IA 50624.

## **Basic Financial Statements**

## Dike-New Hartford Community School District

## Statement of Net Assets

June 30, 2009

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
Other	\$ 3,656,771	\$ 212,769	\$ 3,869,540
Receivables:			
Property tax:			
Delinquent	29,534	-	29,534
Succeeding year	2,467,777	-	2,467,777
Accounts	1,878	2,523	4,401
Due from other governments	357,086	-	357,086
Other current assets	1,000	-	1,000
Inventories	-	5,872	5,872
Capital assets, net of accumulated depreciation	7,436,151	13,355	7,449,506
<b>Total Assets</b>	<b>\$ 13,950,197</b>	<b>\$ 234,519</b>	<b>\$ 14,184,716</b>
<b>Liabilities</b>			
Accounts payable	\$ 238,306	\$ 1,913	\$ 240,219
Salaries and benefits payable	536,567	-	536,567
Accrued interest payable	38,412	-	38,412
Deferred revenue-succeeding year property tax	2,467,777	-	2,467,777
Deferred revenue-other	296,714	4,310	301,024
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	135,000	-	135,000
Early retirement	28,241	-	28,241
Revenue Bonds	120,000	-	120,000
Portion due after one year:			
General obligation bonds payable	4,665,000	-	4,665,000
Early retirement	36,785	-	36,785
Revenue bond	920,000	-	920,000
<b>Total Liabilities</b>	<b>\$ 9,482,802</b>	<b>\$ 6,223</b>	<b>\$ 9,489,025</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,596,151	\$ 13,355	\$ 1,609,506
Restricted for:			
Categorical funding	254,263	-	254,263
Management levy	52,271	-	52,271
Debt service	159,766	-	159,766
Other special revenue purposes	277,345	-	277,345
Unrestricted	2,127,599	214,941	2,342,540
<b>Total Net Assets</b>	<b>\$ 4,467,395</b>	<b>\$ 228,296</b>	<b>\$ 4,695,691</b>

**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2009**

	Program Revenues			
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses			
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,665,333	\$ 261,125	\$ 868,147	\$ -
Special instruction	895,927	51,368	106,728	-
Other instruction	855,384	285,770	13,479	-
	<u>\$ 5,416,644</u>	<u>\$ 598,263</u>	<u>\$ 988,354</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 129,279	\$ -	\$ 5,018	\$ -
Instructional staff services	274,973	-	-	-
Administration services	764,760	-	1,140	-
Operation and maintenance of plant services	597,449	725	-	-
Transportation services	382,042	24,755	1,232	-
	<u>\$ 2,148,503</u>	<u>\$ 25,480</u>	<u>\$ 7,390</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 6,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 451,196	\$ -	\$ -	\$ 330,340
Long-term debt interest	247,122	-	-	-
AEA flow-through	287,737	-	-	-
	<u>\$ 986,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,340</u>
Total Governmental Activities	<u>\$ 8,557,727</u>	<u>\$ 623,743</u>	<u>\$ 995,744</u>	<u>\$ 330,340</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 340,544	\$ 245,469	\$ 117,374	\$ -
Instructional Program:				
Internal service	5,213	-	-	-
Total Business Type Activities	<u>\$ 345,757</u>	<u>\$ 245,469</u>	<u>\$ 117,374</u>	<u>\$ -</u>
Total	<u>\$ 8,903,484</u>	<u>\$ 869,212</u>	<u>\$ 1,113,118</u>	<u>\$ 330,340</u>



Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -2,536,061	\$ -	\$ -2,536,061
-737,831	-	-737,831
-556,135	-	-556,135
\$ -3,830,027	\$ -	\$ -3,830,027
\$ -124,261	\$ -	\$ -124,261
-274,973	-	-274,973
-763,620	-	-763,620
-596,724	-	-596,724
-356,055	-	-356,055
\$ -2,115,633	\$ -	\$ -2,115,633
\$ -6,525	\$ -	\$ -6,525
\$ -120,856	\$ -	\$ -120,856
-247,122	-	-247,122
-287,737	-	-287,737
\$ -655,715	\$ -	\$ -655,715
\$ -6,607,900	\$ -	\$ -6,607,900
\$ -	\$ 22,299	\$ 22,299
-	-5,213	-5,213
\$ -	\$ 17,086	\$ -17,086
\$ -6,607,900	\$ 17,086	\$ -6,590,814

**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2009**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
<b>General Revenues:</b>			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
 Total General Revenues			
 Change in net assets before other financing sources			
 Upward adjustment			
Extraordinary proceeds			
Total other financing sources			
 Change in net assets			
 Net assets beginning of year			
 Net assets end of year			

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 2,365,830	\$ -	\$ 2,365,830
193,582	-	193,582
154,413	-	154,413
504,273	-	504,273
3,326,306	-	3,326,306
78,268	1,294	79,562
118,598	-	118,598
\$ 6,741,270	\$ 1,294	\$ 6,742,564
\$ 133,370	\$ 18,380	\$ 151,750
\$ 22,714	\$ -	\$ 22,714
22,504	-	22,504
\$ 45,218	\$ -	\$ 45,218
\$ 178,588	\$ 18,380	\$ 196,968
4,288,807	209,916	4,498,723
\$ 4,467,395	\$ 228,296	\$ 4,695,691

## Dike-New Hartford Community School District

Balance Sheet  
Governmental Funds

June 30, 2009

<b>Assets</b>	General	Capital Projects	Non-major Special Revenue	Total
Cash and Pooled Investments:				
Other	\$ 1,584,870	\$ 1,491,914	\$ 579,987	\$ 3,656,771
Receivables:				
Property Tax:				
Delinquent	23,712	-	5,822	29,534
Succeeding year	1,964,976	-	502,801	2,467,777
Accounts	-	-	1,878	1,878
Due from other governments	330,315	26,702	69	357,086
Other current assets	-	1,000	-	1,000
<b>Total Assets</b>	<b>\$ 3,903,873</b>	<b>\$ 1,519,616</b>	<b>\$ 1,090,557</b>	<b>\$ 6,514,046</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 100,597	\$ 8,110	\$ 129,599	\$ 238,306
Accrued interest	-	-	15,943	15,943
Salaries and benefits payable	536,567	-	-	536,567
Deferred Revenue:				
Succeeding year property tax	1,964,976	-	502,801	2,467,777
Other	296,714	-	-	296,714
Total Liabilities	\$ 2,898,854	\$ 8,110	\$ 648,343	\$ 3,555,307
Fund Balances:				
Reserved for:				
Categorical funding	\$ 254,263	\$ -	\$ -	\$ 254,263
Total Fund Balances	\$ 750,756	\$ 1,511,506	\$ 442,214	\$ 2,704,476
	\$ 1,005,019	\$ 1,511,506	\$ 442,214	\$ 2,958,739
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,903,873</b>	<b>\$ 1,519,616</b>	<b>\$ 1,090,557</b>	<b>\$ 6,514,046</b>

**Dike-New Hartford Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**

**June 30, 2009**

<b>Total fund balances of governmental funds (page 15)</b>	\$ 2,958,739
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	7,436,151
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-22,469
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-5,905,026</u>
<b>Net assets of governmental activities (page 12)</b>	<u>\$ 4,467,395</u>

## Dike-New Hartford Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2009

	General	Capital Projects	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,233,777	\$ 504,273	\$ 480,048	\$ 3,218,908
Tuition	242,459	-	-	242,459
Other	161,497	57,042	359,611	578,150
Intermediate sources	-	-	-	-
State sources	4,113,477	-	342	4,113,819
Federal sources	208,231	-	330,340	538,571
Total Revenues	\$ 6,959,441	\$ 561,315	\$ 1,170,341	\$ 8,691,097
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,273,041	\$ -	\$ 77,464	\$ 3,350,505
Special instruction	895,927	-	-	895,927
Other instruction	569,177	-	304,804	873,981
	\$ 4,738,145	\$ -	\$ 382,268	\$ 5,120,413
Support Services:				
Student services	\$ 129,279	\$ -	\$ -	\$ 129,279
Instructional staff services	265,249	68,318	6,740	340,307
Administration services	728,923	13,182	10,501	752,606
Operation and maintenance of plant services	538,978	-	45,765	584,743
Transportation services	272,145	7,872	224,297	504,314
	\$ 1,934,574	\$ 89,372	\$ 287,303	\$ 2,311,249
Non-instructional programs	\$ 245	\$ -	\$ 6,280	\$ 6,525
Other Expenditures:				
Facilities acquisition	\$ -	\$ 316,865	\$ 681,210	\$ 998,075
Long-Term Debt:				
Fee	-	-	800	800
Principal	-	-	205,000	205,000
Interest	-	-	241,173	241,173
AEA flow-through	287,737	-	-	287,737
	\$ 287,737	\$ 316,865	\$ 1,128,183	\$ 1,732,785
Total Expenditures	\$ 6,960,701	\$ 406,237	\$ 1,804,034	\$ 9,170,972
Excess (deficiency) of revenues over (under) expenditures	\$ -1,260	\$ 155,078	\$ -633,693	\$ -479,875
Other Financing Sources (Uses):				
Operating transfer in (out)	-	-483,150	483,150	-
Upward adjustment	-	-	22,714	22,714
Extraordinary proceeds	-	-	22,504	22,504
Bond proceeds	-	250,000	-	250,000
	\$ -	\$ -233,150	\$ 528,368	\$ 295,218
Net change in fund balances	\$ -1,260	\$ -78,072	\$ -105,325	\$ -184,657
Fund balances beginning of year	1,006,279	1,589,578	547,539	3,143,396
Fund Balances End of Year	\$ 1,005,019	\$ 1,511,506	\$ 442,214	\$ 2,958,739
See notes to financial statements.				

## Dike-New Hartford Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2009**

**Net change in fund balances – total governmental funds (page 17)** \$ -184,657

***Amounts reported for governmental activities in the Statement of Activities are  
different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 853,990	
Depreciation expense	<u>-404,894</u>	449,096

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	\$ -250,000	
Repaid	<u>205,000</u>	-45,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-5,149

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>-35,702</u>
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**Change in Net Assets of Governmental Activities (page 14)** \$ 178,588

## Dike-New Hartford Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	School Nutrition	Internal Service	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 122,391	\$ 90,378	\$ 212,769
Accounts receivable	2,523	-	2,523
Inventories	5,872	-	5,872
Capital assets, net of accumulated depreciation	13,355	-	13,355
<b>Total Assets</b>	<b>\$ 144,141</b>	<b>\$ 90,378</b>	<b>\$ 234,519</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,913	\$ -	\$ 1,913
Deferred revenue	4,310	-	4,310
<b>Total Liabilities</b>	<b>\$ 6,223</b>	<b>\$ -</b>	<b>\$ 6,223</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 13,355	\$ -	\$ 13,355
Unrestricted	124,563	90,378	214,941
<b>Total Net Assets</b>	<b>\$ 137,918</b>	<b>\$ 90,378</b>	<b>\$ 228,296</b>



**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**Year Ended June 30, 2009**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 245,469
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 100,696
Benefits	22,390
Purchased services	8,601
Supplies	206,104
Depreciation	2,453
Miscellaneous	300
Total operating expenses	\$ 340,544
Operating loss	\$ -95,075
Non-operating revenues:	
State sources	\$ 4,078
Federal sources	113,296
Interest income	1,294
Total non-operating revenues	\$ 118,668
Change in net assets	\$ 23,593
Net assets beginning of year	114,325
Net Assets End of Year	\$ 137,918

## Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 244,656
Cash paid to employees for services	-123,351
Cash paid to suppliers for goods or services	-186,577
Net cash used by operating activities	<u>\$ -65,272</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,078
Federal grants received	82,601
Net cash provided by non-capital financing activities	<u>\$ 86,679</u>
Cash flows from financing activities:	
Purchase of equipment	<u>\$ -1,474</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 1,294</u>
Net increase in cash and cash equivalents	\$ 21,227
Cash and cash equivalents beginning of year	<u>101,164</u>
Cash and Cash Equivalents End of Year	<u>\$ 122,391</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -95,075
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	30,735
Depreciation	2,453
(Increase) in inventories	-2,573
(Increase) in accounts receivable	-344
Increase in accounts payable	215
Increase in deferred revenue	-417
(Decrease) in accrued salaries and benefits	-266
Net Cash Used by Operating Activities	<u>\$ -65,272</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$30,735 of federal commodities.

**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**Year Ended June 30, 2009**

	<u>Internal Service</u>
Operating revenues:	
Local sources:	
Other revenue	\$ -
Operating expenses:	
Instruction:	
Benefits	\$ 5,100
Supplies	113
Total operating expenses	<u>\$ 5,213</u>
Operating loss	<u>\$ -5,213</u>
Change in net assets	\$ -5,213
Net assets beginning of year	<u>95,591</u>
Net Assets End of Year	<u>\$ 90,378</u>

## Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2009

	Internal Service
Cash flows from operating activities:	
Cash received from collections	\$ -
Cash payments for employee benefits	-5,100
Cash paid to suppliers for goods and service	-113
Net cash used by operating activities	<u>\$ -5,213</u>
Net decrease in cash and cash equivalents	\$ -5,213
Cash and cash equivalents beginning of year	<u>95,591</u>
Cash and Cash Equivalents End of Year	<u>\$ 90,378</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating loss	\$ -5,213
Adjustments to reconcile operating income to net cash used by operating activities	
Net Cash Used by Operating Activities	<u>\$ 5,213</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:</b>	
Current Assets:	
Cash	<u>\$ 90,378</u>

## **Dike-New Hartford Community School District**

### **Notes to Financial Statements**

**June 30, 2009**

#### **(1) Summary of Significant Accounting Policies**

Dike-New Hartford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dike and New Hartford, Iowa and portions of the predominately agricultural territories in Butler, Grundy and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Facilities are located in New Hartford for Grades K-8. Grades K-6 and Grades 9-12 attend the Dike attendance centers.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Dike-New Hartford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Dike-New Hartford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.



E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Total	<u>\$ 2,790,444</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Iowa School Cash Anticipation Program (ISCAP)**

The District did not participate in ISCAP for the 2008-2009 year.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in process	5,115,202	-	5,115,202	-
Total capital assets not being depreciated	<u>\$ 5,215,202</u>	<u>\$ -</u>	<u>\$ 5,115,202</u>	<u>\$ 100,000</u>
Capital assets being depreciated:				
Buildings	\$ 5,038,929	\$ 5,174,962	\$ -	\$ 10,213,891
Improvements other than buildings	671,571	56,161	-	727,732
Furniture and equipment	3,769,310	738,069	89,872	4,417,507
Total capital assets being depreciated	<u>\$ 9,479,810</u>	<u>\$ 5,969,192</u>	<u>\$ 89,872</u>	<u>\$ 15,359,130</u>
Less accumulated depreciation for:				
Buildings	\$ 3,818,861	\$ 158,130	\$ -	\$ 3,976,991
Improvements other than buildings	616,002	4,016	-	620,017
Furniture and equipment	3,273,094	242,748	89,872	3,425,971
Total accumulated depreciation	<u>\$ 7,707,957</u>	<u>\$ 404,894</u>	<u>\$ 89,872</u>	<u>\$ 8,022,979</u>
Total capital assets being depreciated, net	<u>\$ 1,771,853</u>	<u>\$ 5,564,298</u>	<u>\$ -</u>	<u>\$ 7,336,151</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,987,055</u>	<u>\$ 5,564,298</u>	<u>\$ 5,115,202</u>	<u>\$ 7,436,151</u>
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 27,957	\$ 1,473	\$ -	\$ 29,430
Less accumulated depreciation	13,622	2,453	-	16,075
Business Type Activities Capital Assets, Net	<u>\$ 14,335</u>	<u>\$ -980</u>	<u>\$ -</u>	<u>\$ 13,355</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 298,957
Other	9,540

Support services:

Administration	12,154
Operation and maintenance of plant	12,706
Transportation	71,537

Total Depreciation Expense – Governmental Activities	<u>\$ 404,894</u>
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Business Type Activities:

Food service operations	<u>\$ 2,453</u>
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**(5) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 4,890,000	\$ -	\$ 90,000	\$ 4,800,000	\$ 135,000
Early retirement	29,324	54,666	18,964	65,026	28,241
Revenue bond	905,000	250,000	115,000	1,040,000	120,000
Total	\$ 5,824,324	\$ 304,666	\$ 223,964	\$ 5,905,026	\$ 283,241

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is based on the current year salary schedule. The payout will be calculated as the difference between the employee's current salary schedule placement and Step 4 of Lane A, excluding supplemental assignment pay. Early retirement expenditures for the year ended June 30, 2009 totaled \$18,964.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

2009 Bonds

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2010	3.10%	\$ 90,000	\$ 11,570	\$ 101,570
2011	3.35%	100,000	8,780	108,780
2012	3.45%	100,000	5,430	105,430
2013	3.60%	55,000	1,980	56,980
Total		\$ 345,000	\$ 27,760	\$ 372,760

### 2008 Bonds

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2010	5.000%	\$ 45,000	\$ 193,706	\$ 238,706
2011	5.000%	75,000	191,456	266,456
2012	5.000%	85,000	187,706	272,706
2013	5.000%	165,000	183,456	348,456
2014	5.000%	265,000	175,206	440,206
2015	5.000%	275,000	161,956	436,956
2016	5.000%	290,000	148,206	438,206
2017	4.000%	300,000	133,706	433,706
2018	4.000%	315,000	121,706	436,706
2019	4.000%	330,000	109,106	439,106
2020	4.000%	345,000	95,906	440,906
2021	4.125%	360,000	82,106	442,106
2022	4.125%	375,000	67,256	442,256
2023	4.125%	390,000	51,788	441,788
2024	4.250%	410,000	35,700	445,700
2025	4.250%	430,000	18,276	448,276
Total		\$ 4,455,000	\$ 1,957,242	\$ 6,412,242

### Revenue Bonds

Year Ending June 30	Interest Rate	Principal	Interest	Total
2010	4.00%	\$ 120,000	\$ 29,486	\$ 149,486
2011	4.00%	125,000	24,586	149,586
2012	4.00%	125,000	19,586	144,586
2013	4.00%	135,000	14,386	149,386
2014	4.10%	140,000	8,816	148,816
2015	4.10%	145,000	2,973	147,973
Total		\$ 790,000	\$ 99,833	\$ 889,833

### 11-5-08 Revenue Bonds

Year Ending June 30	Interest Rate	Principal	Interest	Total
2010	3.2%	\$ -	\$ 10,726	\$ 10,726
2011	3.2%	120,000	8,152	128,152
2012	3.3%	130,000	2,789	132,789
Total		\$ 250,000	\$ 21,667	\$ 271,667

## **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$254,229, \$229,813 and \$211,836, respectively, equal to the required contributions for each year.

**(7) Risk Management**

Dike-New Hartford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$287,737 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Contingent Liability and Revenue**

The District had damage to the Dike Elementary Gym floor due to heavy rains which is uninsured. The loss is approximately \$13,860.

The District was awarded a grant from the United States Department of Agriculture Rural Housing Service in the amount of \$150,000 (15% of the project cost) for the June 2008 flood damage. At June 30, 2009 none of the grant proceeds had been received. The grant amount could vary depending on FEMA funding.

## **Required Supplementary Information**

**Dike-New Hartford Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2009**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 4,038,707	\$ 246,763
Intermediate sources	-	-
State sources	4,113,819	4,078
Federal sources	538,571	113,296
Total Receipts	<u>\$ 8,691,097</u>	<u>\$ 364,137</u>
Disbursements:		
Instruction	\$ 5,120,413	\$ -
Support services	2,311,249	-
Non-instructional programs	6,525	340,544
Other expenditures	1,732,785	-
Total Disbursements	<u>\$ 9,170,972</u>	<u>\$ 340,544</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -479,875	\$ 23,593
Other financing sources, net	<u>295,218</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -184,657	\$ 23,593
Balances beginning of year	<u>3,143,396</u>	<u>114,325</u>
Balances End of Year	<u>\$ 2,958,739</u>	<u>\$ 137,918</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final To Actual Variance
		Original	Final	
\$	4,285,470	\$ 4,185,763	\$ 4,185,763	\$ 99,707
	-	-	-	-
	4,117,897	4,285,906	4,285,906	-168,009
	651,867	266,000	266,000	385,867
\$	9,055,234	\$ 8,737,669	\$ 8,737,669	\$ 317,565
<hr/>				
\$	5,120,413	\$ 5,135,753	\$ 5,200,000	\$ 79,587
	2,311,249	2,400,000	2,400,000	88,751
	347,069	367,500	367,500	20,431
	1,732,785	1,281,747	2,000,000	267,215
\$	9,511,516	\$ 9,185,000	\$ 9,967,500	\$ 455,984
<hr/>				
\$	-456,282	\$ -447,331	\$ -1,229,831	\$ 773,549
	295,218	1,000	1,000	294,218
<hr/>				
\$	-161,064	\$ -446,331	\$ -1,228,831	\$ 1,067,767
	3,257,721	1,617,632	1,617,632	1,640,089
<hr/>				
\$	3,096,657	\$ 1,171,301	\$ 388,801	\$ 2,707,856



**Dike-New Hartford Community School District**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**Year Ended June 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$782,500.

## **Other Supplementary Information**

**Dike-New Hartford Community School District**

**Combining Balance Sheet  
Non-Major Special Revenue Funds**

**June 30, 2009**

	Special Revenue		
	Management Levy	Student Activity	Physical Plant and Equipment Levy
<b>Assets</b>			
Cash and pooled investments	\$ 115,614	\$ 122,015	\$ 169,023
Receivables:			
Property Tax:			
Delinquent	1,663	-	1,812
Succeeding year	150,000	-	161,725
Due from other governments	20	-	22
Accounts receivable	-	-	-
<b>Total Assets</b>	<b>\$ 267,297</b>	<b>\$ 122,015</b>	<b>\$ 332,582</b>
<b>Liabilities &amp; Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	\$ 7,257	\$ 8,270
Accrued interest	-	-	-
Deferred Revenue:			
Succeeding year property tax	150,000	-	161,725
Total Liabilities	<b>\$ 150,000</b>	<b>\$ 7,257</b>	<b>\$ 169,995</b>
Fund Equity:			
Unreserved fund balances	<b>\$ 117,297</b>	<b>\$ 114,758</b>	<b>\$ 162,587</b>
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 267,297</b>	<b>\$ 122,015</b>	<b>\$ 332,582</b>

See accompanying independent auditor's report.

Debt Service		Disaster Recovery		Total	
\$	173,335	\$	-	\$	579,987
	2,347		-		5,822
	191,076		-		502,801
	27		-		69
	-		1,878		1,878
<hr/>					
\$	366,785	\$	1,878	\$	1,090,557
<hr/>					
\$	-	\$	114,072	\$	129,599
	15,943		-		15,943
	191,076		-		502,801
\$	207,019	\$	114,072	\$	648,343
<hr/>					
\$	159,766	\$	-112,194	\$	442,214
<hr/>					
\$	366,785	\$	1,878	\$	1,090,557
<hr/>					

**Dike-New Hartford Community School District**

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Revenue Funds**

**Year Ended June 30, 2009**

	Special Revenue		
	Management Levy	Student Activity	Physical Plant and Equipment Levy
Revenues:			
Local Sources:			
Local tax	\$ 132,053	\$ -	\$ 154,413
Other	12,418	314,531	2,163
State sources	96	-	109
Federal sources	-	-	25,000
Total Revenues	\$ 144,567	\$ 314,531	\$ 181,685
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 31,879	\$ -	\$ -
Other instruction	-	304,804	-
Support services:			
Instructional staff services	-	-	-
Administration services	8,070	-	-
Operation and maintenance of plant services	45,765	-	-
Transportation services	22,704	-	201,593
Non-instructional programs	6,280	-	-
Other expenditures:			
Facilities acquisition	-	-	44,269
Long-term debt:			
Fee	-	-	-
Principal	-	-	-
Interest	-	-	-
Total Expenditures	\$ 114,698	\$ 304,804	\$ 245,862
Excess (deficiency) of revenues over (under) expenditures	\$ 29,869	\$ 9,727	\$ -64,177
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ -
Upward adjustment	-	-	22,714
Extraordinary proceeds	-	-	-
Total other financing sources	\$ -	\$ -	\$ 22,714
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 29,869	\$ 9,727	\$ -41,463
Fund balances beginning of year	87,428	105,031	204,050
Fund Balances End of Year	\$ 117,297	\$ 114,758	\$ 162,587

See accompanying independent auditor's report.

	Debt Service		Disaster Recovery		Total
\$	193,582	\$	-	\$	480,048
	3,840		26,659		359,611
	137		-		342
	-		305,340		330,340
\$	197,559	\$	331,999	\$	1,170,341

\$	-	\$	45,585	\$	77,464
	-		-		304,804
	-		6,740		6,740
	-		2,431		10,501
	-		-		45,765
	-		-		224,297
	-		-		6,280
	-		636,941		681,210
	800		-		800
	205,000		-		205,000
	241,173		-		241,173
\$	446,973	\$	691,697	\$	1,804,034

\$	-249,414	\$	-359,698	\$	-633,693
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\$	258,150	\$	225,000	\$	483,150
	-		-		22,714
	-		22,504		22,504
\$	258,150	\$	247,504	\$	528,368

\$	8,736	\$	-112,194	\$	-105,325
	151,030		-		547,539
\$	159,766	\$	-112,194	\$	442,214

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2009

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Art Club	\$ 21	\$ -	\$ -	\$ -	\$ 21
Annual	387	10,416	8,747	-	2,056
Athletics	11,220	1,957	11,007	4,620	6,790
Band uniforms	1,428	554	354	-	1,628
Band	980	12,545	8,321	-	5,204
Interest income	8,733	1,862	4,000	-	6,595
Vocal music	5,589	7,505	9,262	1,000	4,832
Musical	843	-	-	-	843
Music trip	1,231	6,134	4,043	-	3,322
Cheerleaders	1,886	2,840	4,838	650	538
Speech	908	-	1,495	750	163
Drama	1,281	1,488	787	-	1,982
Cross Country	-	692	1,391	699	-
Tennis	-	59	420	361	-
Golf	-	726	1,768	1,042	-
Boys basketball	-	4,705	2,817	-1,888	-
Football	-	20,296	15,060	-5,236	-
Baseball	-	2,016	2,519	503	-
Boys track	-	2,418	4,161	1,743	-
Wrestling	-	1,668	995	-673	-
Girls basketball	-	4,021	3,603	-418	-
Volleyball	-	6,280	3,492	-2,788	-
Softball	-	1,166	1,603	437	-
Girls track	-	7,364	9,265	1,901	-
Student Council	1,973	2,192	1,854	-	2,311
Junior/Senior Prom	832	10,000	9,839	-	993
Concessions	1,092	45,732	36,296	-8,750	1,778
National Honor Society	1,155	1,463	1,171	-	1,447
TAG-Talented & Gifted	719	-	-	-	719
Vending machine	505	815	-	-750	570
Athletic towel service	7,301	720	-	-	8,021
Dance	211	-	-	-	211
Secondary	486	3,618	5,218	1,600	486
Junior High	5,729	13,367	12,628	-1,446	5,022
Dike Elementary	2,295	3,779	5,829	-	245
New Hartford Elementary	10,817	6,734	8,500	-	9,051
Thespians	196	87	65	-	218
SADD	233	200	223	-	210
Booster Club	2,458	25,581	25,107	-1,500	1,432
Track project donations	3,091	17,375	18,091	1,000	3,375
Service Learning Scholarship	50	-	-	-	50
Football Fundraisers	5,307	16,792	13,260	-	8,839
Volleyball Fundraisers	1,805	19,479	17,951	-	3,333
Cheerleading Fund	-	4,105	3,781	-	324
Baseball Fund	508	1,382	-	-	1,890
Wrestling Mats	1,000	-	-	-	1,000

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2009

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Auditorium	\$ -	\$ 4,737	\$ 2,128	\$ -	\$ 2,609
Character Education	-	105	-	-	105
Pep Bus	-	880	880	-	-
All State Music	900	462	811	-	551
JH Athletics	-	3,690	11,306	7,616	-
Activity Tickets	-	4,050	-	-4,050	-
Swimming	-	-	30	30	-
Soccer	-	-	3,000	3,000	-
Cross County Fundraisers	-	3,157	2,702	-	455
Boys Track Fundraisers	268	4,351	2,877	-	1,742
Wrestling Fundraisers	1,449	4,685	6,181	47	-
Baseball/Softball lights	3,500	1,567	-	500	5,567
Boys Basketball Fundraisers	2,026	245	1,543	-	728
Girls Basketball Fundraisers	411	4,767	4,013	-	1,165
Softball Fundraisers	1,605	3,260	3,317	-	1,548
Sound system	935	-	-	-	935
Bleachers	10,662	-	-	-	10,662
JH Trip	1,005	8,442	6,255	-	3,192
Total	\$ 105,031	\$ 314,531	\$ 301,804	\$ -	\$ 114,758



**Dike-New Hartford Community School District**

**Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds**

**For the Last Six Years**

	Modified Accrual Basis		
	2009	2008	2007
<b>Revenues:</b>			
Local Sources:			
Local tax	\$ 3,218,098	\$ 3,084,998	\$ 2,960,196
Tuition	242,459	196,965	215,185
Other	578,150	617,231	711,373
Intermediate sources	-	-	-
State sources	4,113,819	3,891,713	3,730,342
Federal sources	538,571	115,741	139,699
<b>Total</b>	<b>\$ 8,691,097</b>	<b>\$ 7,906,648</b>	<b>\$ 7,756,795</b>
<b>Expenditures:</b>			
Instruction:			
Regular instruction	\$ 3,350,505	\$ 3,103,064	\$ 3,032,320
Special instruction	895,927	758,860	780,449
Other instruction	873,981	978,872	768,112
Support services:			
Student services	129,279	131,732	141,821
Instructional staff services	340,307	305,867	284,354
Administrative services	752,606	721,716	773,832
Operation and maintenance of plant services	584,743	581,378	535,595
Transportation services	504,314	278,985	355,838
Central support services			
Non-instructional programs	6,525	5,188	6,485
Other expenditures:			
Facilities acquisition	998,075	2,090,185	2,981,965
Long-term debt:			
Principal	205,000	9,000	85,000
Interest and other charges	241,973	248,541	244,699
AEA flow-through	287,737	267,309	256,112
<b>Total</b>	<b>\$ 9,170,972</b>	<b>\$ 9,561,697</b>	<b>\$ 10,246,582</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2006		2005		2004	
\$	2,722,300	\$	2,488,099	\$	2,247,405
	226,198		217,634		162,031
	477,631		427,357		427,722
	-		-		-
	3,505,560		3,365,191		2,967,144
	135,423		146,406		111,185
\$	7,067,112	\$	6,644,687	\$	5,915,487

\$	2,847,000	\$	2,643,861	\$	2,612,838
	716,836		769,512		770,373
	736,740		686,579		632,666
	135,738		142,251		125,028
	259,327		218,725		141,705
	919,135		615,689		609,410
	549,478		495,048		479,204
	345,862		323,875		302,886
			-		3,082
	4,246		6,194		3,077
	61,639		58,010		68,251
	80,000		80,000		75,000
	20,722		21,528		29,172
	239,746		231,860		221,107
\$	6,916,469	\$	6,293,132	\$	6,073,799

## Dike-New Hartford Community School District

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
US Department of Agriculture:			
Iowa Department of Education:			
Food Donation (noncash)	10.550	FY09	\$ 30,735
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY09	\$ 8,383
National School Lunch Program	10.555	FY09	74,178
			<u>\$ 82,561</u>
US Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY09	\$ 42,735
Career and Technical Education – Basic Grants to States	84.048	FY09	\$ 4,453
Safe and Drug-Free Schools and Communities – State Grants	84.186	FY09	\$ 1,742
Improving Teacher Quality State Grants	84.367	FY09	\$ 20,235
ARRA – Title I Grants to Local Educational Agencies – Recovery Act	84.389	FY09	\$ 4,355
ARRA – State Fiscal Stabilization Fund (SFSF) – Education			
State Grants, Recovery Act	84.394	FY09	\$ 66,154
Title VI Assessment	84.369	FY09	\$ 5,018
Advance Placement	84.330	FY09	\$ 108
Area Education Agency:			
Special Education – Grants to States	84.027	FY09	\$ 38,671
ARRA – Special Education – Grants to States- Recovery Act	84.391	FY09	\$ 20,859
Tech Prep Education	84.243	FY09	\$ 1,335
US Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants – Public Assistance (FEMA) (Presidentially Declared Disasters)	97.036	FY09	\$ 305,340
Fire Safety	97.095	FY09	\$ 25,000
Total			<u>\$ 649,301</u>

Basis of Presentation – The schedule of expenditures of Federal Awards includes the federal grant activity of Dike-New Hartford Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated December 30, 2009. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Dike-New Hartford Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Dike-New Hartford Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Dike-New Hartford Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Dike-New Hartford Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Dike-New Hartford Community School District's financial statements that is more inconsequential will not be prevented or detected by Dike-New Hartford Community School District's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Dike-New Hartford Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

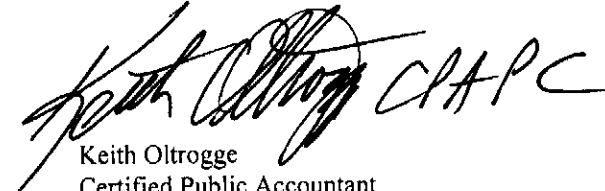
As part of obtaining reasonable assurance about whether Dike-New Hartford Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Dike-New Hartford Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed our conclusions on the District's responses, I did not audit Dike-New Hartford Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dike-New Hartford Community School District and other parties to whom Dike-New Hartford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dike-New Hartford Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

December 30, 2009

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Dike-New Hartford Community School District:

Compliance

I have audited the compliance of Dike-New Hartford Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Dike-New Hartford Community School District's major federal program are identified in the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dike-New Hartford Community School District's management. My responsibility is to express an opinion on Dike-New Hartford Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with US generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dike-New Hartford Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Dike-New Hartford Community School District's compliance with those requirements.

In my opinion, Dike-New Hartford Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Dike-New Hartford Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Dike-New Hartford Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Dike-New Hartford Community School District's internal control over compliance.



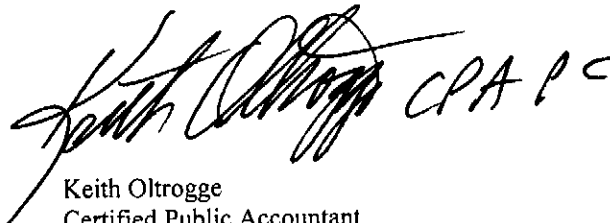
My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Dike-New Hartford Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Dike-New Hartford Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dike-New Hartford Community School District and other parties to whom Dike-New Hartford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



Keith Oltrogge  
Certified Public Accountant

December 30, 2009

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2009**

**Part I – Summary of the Independent Auditor's Results:**

- a) Unqualified opinions were issued on the financial statements.
- b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
  - CFDA Number 97.036 – Disaster Grants – Public Assistance (FEMA)
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.553 – National School Lunch Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Dike-New Hartford Community School District did not qualify as a low-risk auditee.

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2009**

**Part II – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

II-A-09 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2009**

**Part III – Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program and**  
**Federal Award Year: 2009**  
**US Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 97.036 FEMA**  
**Federal Award Year: 2009**  
**US Department of Homeland Security**  
**Iowa Department of Public Defense**

No matters were reported.

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2009**

**Part IV - Other Findings Related to Statutory Reporting:**

IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 did not exceed the certified budget.

IV-B-09 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-09 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

IV-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and service tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-	
			504,273	
Statewide sales and services tax revenue				
Expenditures/transfers out:				
School infrastructure:				
Buildings	\$	310,697		
Equipment		86,062		
Debt service for school infrastructure:				
General obligation debt		108,964		
Revenue debt		149,186		654,909
				<hr/>
Ending balance		\$	-150,636	